
Part 1 Business Conduct

1. Policy and Business conduct overview

Sabina Public Company Limited or Sabina, a manufacturer and distributor of ladies' lingerie, top number one lingerie brand in Thailand. Sabina distributes its products nationwide through all distribution channels as its business is expanding to neighboring countries in the ASEAN Economic Community, especially CLMV (Cambodia, Laos, Myanmar and Vietnam) as well as other parts of the world. It is also a lingerie manufacturer for leading lingerie brands overseas (OEM).

Sabina lingerie products are available for all age groups, at all market prices. It is also top leader in fashion and function, well known for its beautiful exterior design, great for body functions of the wearer, and suitable for the shape of the individual target customer. Thanks to research data and market survey on product development, Sabina is able to manufacture products that meet the needs of customers with both small and large breasts and bring innovation to develop the production of high quality, comfortable and modern lingerie. The company was established on August 17, 1995, formerly known as J&D Apparel Company Limited, with initial registered capital of 1 million baht, engaged in the production and distribution of lingerie for subsidiaries and customers, who are lingerie distributors overseas (OEM - Original Equipment Manufacturer). The subsidiary company, Sabina Far East Company Limited, was established on January 11, 1977.

The Company and its subsidiaries were founded as a joint venture of the 2nd generation members of the "Thanalongkorn" family, led by Mr. Viroj Thanalongkorn, who has special expertise in the lingerie industry inherited from the 1st generation members of the family, beginning with "limited partnership Jintana "(now renamed Jintana Apparel Company Limited) engages in lingerie business under the pioneering of Mr. Chintana and Mr. Adul Thanalongkorn, the mother and father of Mr. Viroj, who is the management and major shareholder of the company.

J&D Apparel Public Company Limited changed its name to Sabina Public Company Limited on May 18, 2007. The head office is located at 177 Moo 8, Wang Kai Thuan Subdistrict, Hankha District, Chai Nat Province. And other 4 branch offices consisting are located at:

1. No. 12, Arun Amarin Road, Arun Amarin, Bangkok Noi, Bangkok
2. No. 30/5, Village No. 12, Phutthamonthon 5 Road, Rai Khing Subdistrict, Sam Phran District, Nakhon Pathom Province

3. No. 236 Village No. 10, Du Thung Subdistrict, Mueang Yasothon District, Yasothon Province

4. Number 81,106, Village No. 6, Nong Bot, Nangrong District, Buriram Province

Originally, the business of manufacturing and distributing OEM products of the company was the production and distribution for subsidiaries which received production orders from another customer. Since the subsidiary has been operating for a long time and is known to foreign customers more than domestic ones. When the company became well-known to foreign customers, it began to sell OEM products directly to customers. So the production for lingerie distributors overseas is the main revenue proportion. However, after the company changed its policies concerning reducing the proportion of OEM production and distribution since 2008, resulting in the company's main revenue proportion coming mainly from the production and distribution of products to the subsidiary under the brand "Sabina".

The company and subsidiary operation

Sabina Public Company Limited

Operate lingerie manufacturing & sales business for subsidiary and customers who are lingerie suppliers in foreign countries (OEM) Currently, there are 3 factories located in Chainart, Yasothon and Buriram. There are 2,829 machines in total which divide into 2,766 of sewing machines and 63 other machines. In addition, there are accessories for sewing machines which can help adjust the machines to work more efficiently and more suitable for product styles. There will be many different types according to the product style which the company has an actual production volume of 8.4 million pieces per year.

Sabina Fareast Company Limited (Subsidiaries)

Operate lingerie design, produce and distribution business which divide into 2 main sections as following.

1. lingerie design, produce and distribution business under the trademark SABINA which comprise of sub collections such as Sabinie, DoommDoomm, Soft Doomm, Modern V by Sabina and several other variety collections meet with the needs of women of all age.

2. lingerie design, produce and distribution business made to customer order who are lingerie suppliers in foreign countries (OEM) such as England, USA, Europe, Russia and Scandinavia etc.

Furthermore, lingerie is also sold under the trademark “SABINA”, “SABINIE” and “SBN” which already partially registered in foreign countries. The selling lingerie product under our own trademark is an outright sale to distributor. Most of them would distribute their products in department store or their own store. For example in the Middle East, including The United Arab Emirates in Asia, including Pakistan, Bangladesh and the ASEAN Economic Community (AEC), Myanmar, Cambodia, Philippines, Laos and Vietnam.

The current subsidiary has to 2 factories located in Bangkok and Nakorn Pathom. Total number of machines is 1,430 which can be divide into 1,279 of sewing machines and 151 of other machines. Currently, the subsidiary has a production capacity of 3.3 million pieces per year.

1.1 Vision, mission, strategy and operational goals of the company



Vision

The company operates under the concept of “Create Value with Innovation” aim to build Sabina lingerie brand integrity with new innovations as well as modern fashion, accepted quality, consist and fits with the needs of all women in all countries and along with social responsibility.

Mission

The company has a mission to operate in accordance with the vision structured under the concept of operations which are separated into various parts as follows.

People: Trust and Worthiness in human as precious resources

People: The company believes that employees are valuable human resources because they are an important factor enables the company to achieve its goals and objectives. Therefore, giving importance to taking care of all employees, every position is like a valuable resource of the company.

Product: Delivered products beyond expectation

Product: The company will produce product's quality to meet with expectations of customers. By using research, develop new innovations for products that will meet the needs of women of all ages.

Partners: Trust and Reliable Enterprise

Partners: The company will manage and operate in order to gain trust and confidence from partners or those related to the company in every aspect such as shareholders, employees, customers, creditors, and competitors.

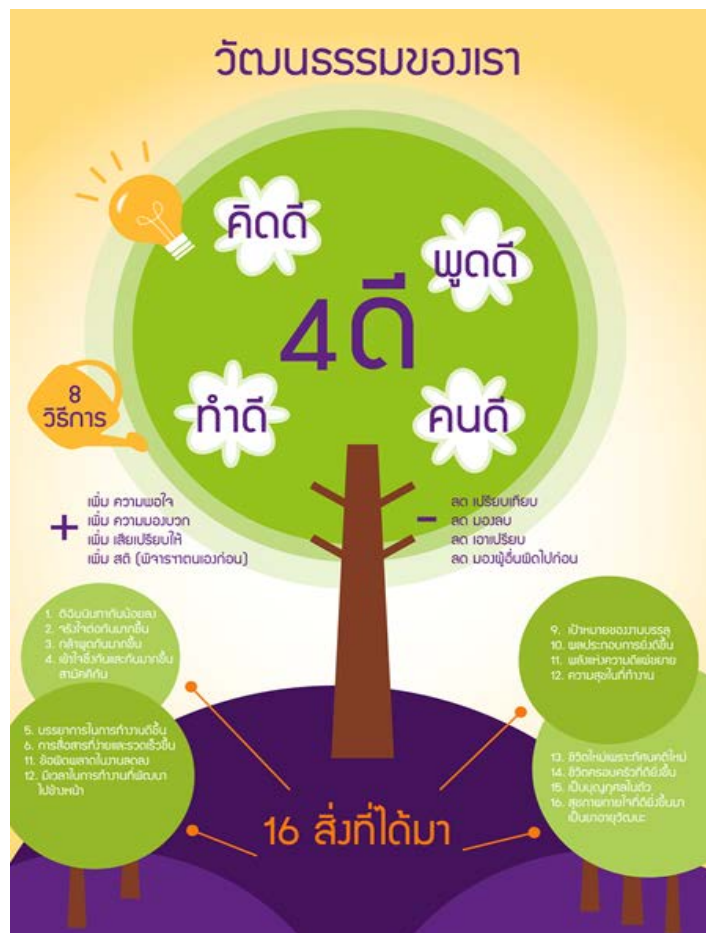
Productivity: Innovation through productivity by advance mechanism

Productivity: The company will manage production by using production management methods, production technology, production innovation Including modern machinery used in production. In order to get standardize quality products and approve by every customer in every country.

Planet: Return Benefit to Society and Environment

Planet: The company is still committed to business conducting by returning profits to society and the environment.

4 Good Corporate Culture



The company adheres to the principle of "happiness organization" as the basis for management and believe that the organization can be good, if employees work happily at the organization as if it is their second home. There are many types of management hierarchy, top-down management or bottom-up, but the company adheres to the management principles using employees as the center of development (Client Center) and others changes. All because the company believes if anything doing comes from employee's intention and initiation, happiness will be final answer. Which is the origin of the word 4 good corporate culture, consisting of "good thinking, good speaking, good doing and good being."

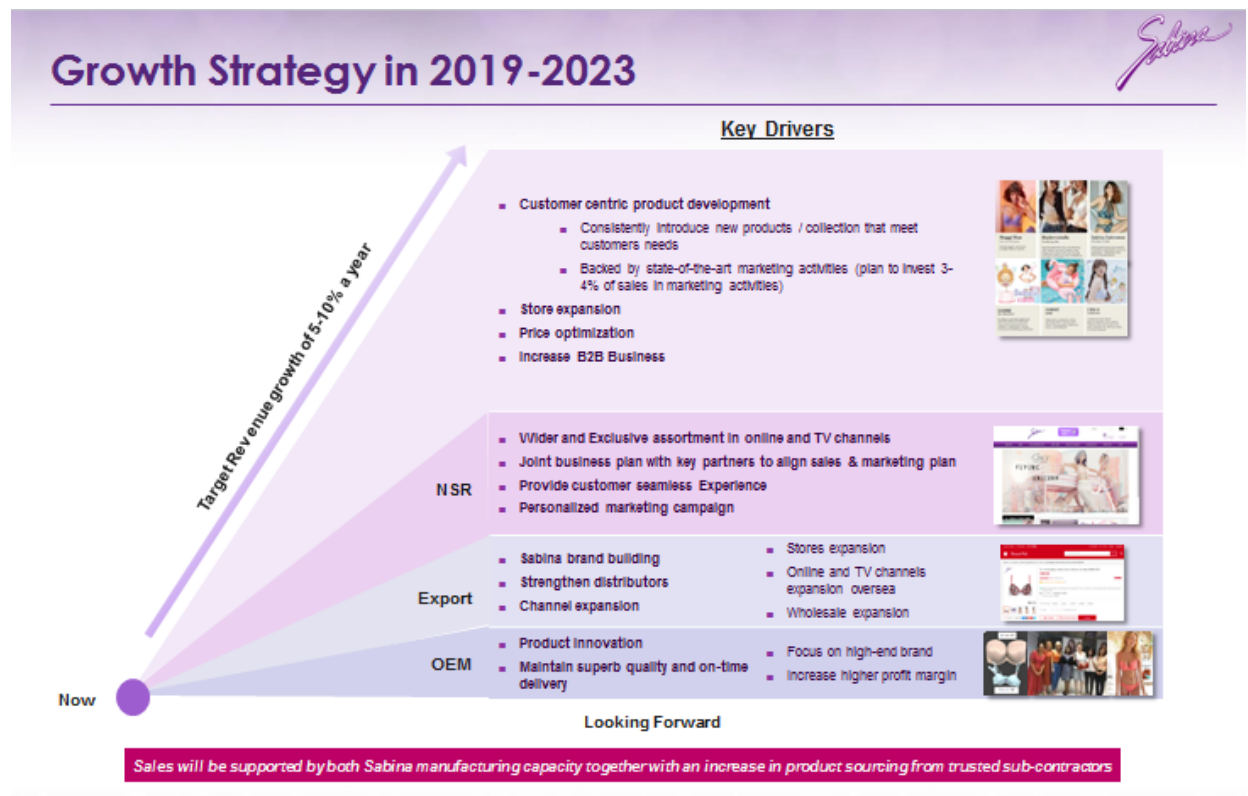
Good thinking means everyone must start thinking positive, being optimist and be conscious both for themselves and others.

Good speaking means everyone must speak good with good words, reduce comparisons.

Good doing means knowing the disadvantage, not taking advantage of others and know how to give.

Good being will happen automatically when you have the three G above.

Strategy and long-term goals



For the long-term goals from 2019-2024, the company is expecting its sales revenue to grow by an average of 10% based on the changing circumstances of the economy. The increased sales revenue depends greatly upon revenue structure divided into 4 major structures which are as follows:

1. Domestic sales of the Sabina brand

The company believe that the domestic market can continue to grow as the market changes. The following strategies show how to grow the domestic market effectively:

a. Modify the sales model to serve customers and meet their changing needs and behaviors by focusing on reaching customers rather than waiting for customers to go to the store.

b. Continually focus on research and development of quality and product formats by focusing on innovation in order to meet the needs of customer of all types and increase product variety by putting customers first.

c. Storefront cost management by developing a system for convenience, speed, accuracy.

d. Develop the ability of salespeople to have multi-skill in working to reach more customers and to be able to generate additional income

2. Non-Store Retailing

Another way that the company can use to emphasize on development and accelerate the growth rate is non-store retailing. Despite a few years of implementation, it has generated the highest growth rate. Non-store retailing also covers all sales channels and does not overlap with storefront sales where salespeople stand by to serve customers. The goals and strategy of non-store sales are as follows:

- a. To delivery service channels that normal stores have not been able to reach or that require a high access cost to reach.
- b. Focus on the development and improvement of products for specific sales channels by putting customers first and working towards meeting the needs of each target group.
- c. Use modern technology for service system development, to be fast, accurate and accessible whenever customers want.
- d. Develop quality and service standards for customers' trust according to Sabina's slogan "Because we are friends who understand women".

3. Sabina exports to foreign markets

There has been a continual growth in selling products under the Sabina brand through overseas distributors, especially those in CLMV countries such as Vietnam, Laos, Myanmar and the Philippines. The strategy to develop sales growth in this structure is as follows.

- a. Develop personnel working in each country and send Sabina staff to key countries such as Vietnam and the Philippines to help develop the system and empower the staff there with knowledge and skills which are contributable to the success of the company in Thailand, so they can be applied what they learn to each area specifically by emphasizing the understanding of products and services as well as managing stock inventory.
- b. Help negotiate sales in order to expand sales channels overseas by bringing the success of sales in Thailand to further develop and negotiate trade in other countries both in-store sales And out-of-store sales.
- c. Start sourcing products from production bases in that country to reduce costs and to speed up adding products in the store to meet the needs of customers in each country, all of which still is under quality control to meet Sabina standards equivalent to production in Thailand.

4. Sales of OEM products

Sales of OEM products is a part of revenue structure that contributes to additional income, which has been controlled not to have a proportion of growth than it has at present. However, it will maintain the proportion of sales spending so that it will not decrease. Since selling OEM products is considered a technical development and significantly linked to machinery knowledge, raw materials, and new product formats received from western countries, all which can be applied to product development in our country.

In this regard, sub-strategies on the production process and sales promotion system are still being put in to practice in order to achieve the main goals. They are as follows.

1. Reduce production costs by developing raw materials with suppliers and negotiating with them to add raw materials in large quantities to combined orders and gradually import raw materials as necessary for production and not stocked them up in large quantities which will cost management fees and a lot of storage space.

2. Modernize the efficiency of the production process and focus on sustainable growth to develop and improve various processes in the operation. Share the results throughout the organization, including with business partners or stakeholders through SPM (Sabina Productive Management) project, which is a combination of all tools that are suitable for the production management of the company to drive and continue to operate through the committee which is from representatives of all departments of the company, especially the Lean Enterprise concept to extend the results of timely production management or Lean systems throughout the company including the extension to partners and customers to be the same chain is to strengthen the business, with the ultimate goal of achieving Total Quality Management and becoming a corporate culture that all members value and participate in the continuous development of the organization's operations by aiming to meet the needs and create satisfaction for customers, which will create business opportunities, competitive advantage and sustainable development of the organization based on sustainability

3. Personnel development for staff to have multi skills and to be able to perform many functions, be flexible to support the work that is currently fast growing without having to increase the number of personnel. Personnel development is executed throughout the factory, using modern and standardized system to help employees learn more quickly and adjust them to be more streamlined in their work. For example, sewing staff use the sewing passport system to develop skills.

4. The pricing policy of the products can be divided into 2 categories: pricing of the products under the Sabina trademark of the subsidiary companies and pricing of products manufactured under the Sabina trademark of OEM. Pricing of these 2 categories is based on the nature, quantity, and the market value of the product. Products under the Sabina trademark of the subsidiary companies (Sabina) will use the pricing method as appropriate to the product users, which is likely to increase the price according to the market value of the product as well. The pricing will be close to that of the competitors in the same market in order to allow consumers to use the product worthwhile. And to be at a competitive level, the company's product price is placed at a moderate level when compared to the price of the same product in the market. The company does not have a price competition policy with other manufacturers. However, the products may have a price reduction according to the department's marketing strategy and various distribution points. For OEM product prices, the company will select customers at the top level and implement the policy increasing the price to increase the margin from the cost of production (Cost Plus), which the selling price covers the risk of some foreign currency fluctuations and gross profit from production of each product More or less according to the product model Including the quantity of products that the customer ordered are as follows.

- **The products**

Creating innovation for underwear and swimwear products

The company and its subsidiaries have established a product research and development team to create new innovations for underwear and swimwear products in terms of new functions and modern design that corresponds to consumers rapid behaviour change. Using previous distribution data to analyse and find product characteristics, product styles and product fashion for the consumer needs at all time. In addition, the company is aware of the product fashion guidelines that the company has produced for customers in Europe and England Which is a leader in fashion and lingerie. In addition, the research team also bring in new raw materials and formulas to adjust with the consumer's body and needs. So that the company's products are modern and attractive to consumers and consist with the current lingerie market conditions.

Research and Direct survey of consumer's needs

The subsidiary surveyed the needs of consumers in order to obtain products that meet market needs by using various methods such as focus group research, surveying both before and after the product distribution, data collection in the sales area (Market Survey), talking to target groups through various activities such as campus tour, work shop etc. Which the subsidiary will keep conduct surveys in every collection at all time in order

to quickly respond to customer needs and using this information to analyze and develop the sample product and then test it with the target group. These process takes time to develop and a period to test the product until the company confident enough in the quality and product then they will be release into the market.

Cost reduction

The company takes care of costs continuously with various strategies. In the past that has costing up to 65%, but the current cost has dropped to 48%, resulting in higher gross profit. In the future there is a tendency to make higher gross profit.

Focusing on reducing the proportion of OEM production and sales to the appropriate level is one way to reduce costs. Since such production requires materials as specified by the brand, the company must purchase materials from suppliers as agreed upon, which affect the bargaining power while the company's brand production volume has increased. Apart from being able to set a better selling price, being a major customer of material manufacturer gives the company with more bargaining power. Resulting in reduced costs and increase more gross profit. This showing by continuously increasing business profit since 2007 and now the gross profit is 50%

However, the company has reduced material costs without reducing its quality. Which is a very important factor to compete with both domestic competitors and foreign competitors such as China and Indonesia. In addition, cost reduction helps the company in a price compete with more competitors. Therefore, company has more profit from sales.

In addition, the company has a way to reduce material costs by finding new sources of materials and let the supplier to pitch their materials sale which is raise more choices in terms of materials quality and bargaining power. Resulting an effective control of material management.

Finding new sources of diverse materials, good quality, and reasonable price is a way to reduce dependence on one of the distributors, preventing supplier's production capacity insufficiency problem due to the quantity orders from the company, preventing monopoly price issue from distributors. Providing the company with more options on the amount of purchase require materials from many distributors both domestic and international, which the current trade agreements with many countries have greatly reduced the import tax on materials. The procurement of new materials both domestic and international is the way to show potential of the company in material procurement development and helps increase product's diversity and modern as well.

Moreover, the company has studied various innovations including some manufacturing technique on our own to lower materials cost. This can reduce dependency, material monopoly from distributors such as Mould bra, which is the important material in the making of lingerie. At the present the company can produce 90% of the needed amount by ourselves (Our own production in 2014 is only 30%)

Another way to reduce costs is hiring more finished goods manufacturer from outside (Outsourcing) in the easy to sew product group. The machine can substitute skillful workers resulting in low production costs. The company focus on producing complex products that require skills but comes with the high gross profit. In the past recent, the company has continuously increased the proportion of outsourcing and in the future the ability of this type of production will be better and better. This is because the company help giving advice to the contractor coordinate in the form of partners. In order to be able to produce more complex products according to the quality that the company needs, which will result in lower costs and more gross profit.

- **The Productions**

The company's products are divided into collections that cover all groups of all ages and at all price levels. Apart from the production also emphasize on beauty in term of designs, it is also mix with functionality adjust to the different type of the wearer's physiology. The company's underwear feature is when wearing it will be suitable with the shape of the wearer. Which won't be able to see on the outside but inside it will fit the actual physiology of the target customers.

As for the quantity of products to be produced depends on many factors such as forecasting market competition conditions, new product release season, production capacity of each factory and policies from the management department with fundamental factors derived from customer's needs. Furthermore, there are factors in the production format. If the product is divided according to the production pattern, it can be divided into 2 formats which are the product that has the original repetitive pattern production (Basic) and new products or fashion products (Fashion) The original repetitive pattern product is often used by consumers which will always be produced in the form of product replenishment. This enabling the company to predict production and planning production efficiently by always set the production line to produce in the same way or close enough to increase expertise which resulting in improved production efficiency and more productivity. While there is always new design on fashion product, the original pattern won't be reproduced. Even though new pattern has complex production, but it has better sales revenue and better gross margin.

For products under the trademark of a subsidiary. There will be a product distribution plan every year in order to control production efficiently. Product distribution plan indicates the quantity and type of products that the company must produce each month in order to release as scheduled. The production plan is flexible according to the volume of orders during the year. The central production planning department disperse production volumes to various factories by distributing the product quantity as appropriate for the duration, dividing the type of products according to the suitability of the machine and the expertise of employees in each factory for maximum efficiency in production.

As for OEM products, the company will produce according to customer's order from time to time. That is, no production in advance which customers must order before the date that need the product for a long period of time as follow the customer's product distribution plan. In order to prevent delays production and delivery, the company will distribute the volume of products to be produced to various factories according to the suitability of the production capacity, duration and type of products. The volume of production will be considered along with our own trademarks as well and if customer's order is far more than the remaining production capacity, the company would not accept that order to avoid the damage that could happen to both customer and the company.

Moreover, the company focus on developing other factors that helps increase production efficiency such as human labor development because they are an important factor in the production of ready-made garments. Especially when the product needs details and has a variety of designs. At the present there are employee ability development and product quality test continuously. During production, there will always be quality inspection at every step and encourage employees to produce quality products. Furthermore, there are periodic staff training, depending on the type of new product that needs to be released and the need to increase production skills.

Improving production efficiency, the company focuses on improving production efficiency by bringing various tools to be used in production management for creating sustainable growth. Apart from developing and integrate various process in operations, also extend throughout the organization, including business partners or stakeholders through SPM project (Sabina Productive Management) Which is a combination of all suitable tools for managing the production of the company, to drive and operate continuously by the board which are representatives of all departments of the company. Especially the Lean Enterprise concept or lean system throughout the company to extend result of timely production management. Also extend results to partners and customers to be in the same chain and strengthen the business. The ultimate goal here is to achieve a holistic quality management (Total Quality Management) and become a corporate culture that everyone in here value, contribute to the ongoing operation development of the organization. Aiming to meet the needs and create

satisfaction for customers which will create business opportunities, competitive advantage and sustainable development of the organization.

With a policy to reduce production time and faster deliver products to customers. Therefore, modern software packages are introduced to help in the production planning and communication and collaboration between the team, resulting in production lead time reduce from 120-180 days to 90-150 days.

Moreover, the company applying the LEAN production system to reduce material delivery time and can greatly reduce waste, the inventory and WIP amount from 244 million baht (in 2012) to approximately 200 million baht (in 2019), allowing the company able to circulate more money to other uses.

- **Logistics**

The company must produce variety of products to meet the needs of consumer, since the consumer behavior that needs more variety of products. So, there is a need to disperse products to stores to always support the needs of consumer, this is the reason to develop logistics system or taking care of stock inventory in each store to distribute products to the right place, right time with the needs of consumers in each area. The company began to develop the system and computer programs that can check the sale products to have inventory in line with the needs of each store in every store, increasing the chances of selling more products.

Moreover, nowadays online trading has played a greater role with consumers. The company has adjusted the work to be in line with this trend, focus on selling products through online channels more. Which has a good response and must send products to consumers more directly. Therefore, the logistics system is very important resulting in need to adjust the warehouse management system and distribute products to respond to consumer behavior.

In addition, the company has begun to distribute more products to ASEAN which require a system to always check supplier's stock or company's distributor. This is because sending goods to various countries takes time to process the delivery documents and delivery time, in order to store new products at similar period in our country.

- **Pricing**

The product pricing policy can be dividing in 2 ways which are determining the selling price of the product under the trademark of the subsidiary (Sabina) and pricing of products manufactured under the

trademark of the manufacturer (OEM) The factors affecting the pricing of these 2 types of products are style, quantity and product market value.

Product prices under the trademark of the subsidiary (Sabina) will use the pricing method as appropriate for the product user. Product price will increase according to the market value and will be similar price as competitor at the same market segment and be able to stay in the competition, this allow consumer to use product at full benefit. At the present, product is in mid-range compare to same product category in the market. The company does not have a price competition policy against other manufacturer. However, product price might adapt due market strategy of the department store and at any purchase point appropriately.

For OEM product price, the company will select top level customer and apply increase profit margins from production costs pricing policy (Cost Plus) Which the selling price will cover the risk of some foreign currency fluctuations and gross profit from the production of each product, price will vary depends on the type of product and the quantity of products that customers ordered

- **Seeking new business opportunities**

When the ASEAN Economic Community (AEC) is established. It is a good opportunity for the company to expand business line such as importing various ASEAN brands to expand the market in Thailand, which the company has expertise and good relations with leading department stores in Thailand. This is the company's advantage to contact and operate within the connection.

The company has developed and increased the potential in the non-retail sales channel in order to fill the gap in product access because some customers may not be convenient to travel around by the "Twenty-Four Seven" strategy. This is an attempt to encourage customers to access the service 24 hours a day in 7 days by expanding to online platforms, digital TVs and catalogs. Which is easy access to products and helps reducing investment cost on the storefront, the cost of decorate furniture in the shop, no need to pay rent for department stores or various modern trades fair.

1.2 Important changes and developments

The following are important changes and development of the company and subsidiaries relating to business operation.



1997 - A period of economic recession in Thailand called, Tom Yum Kung, was a period of great change. Due to the sudden weakening of the baht overnight from 26 baht to 45 baht, the company seek an opportunity to change direction of doing business and invest in exporting business under customer brands in England and Europe. The company had started to create a brand for quite a while before that.

2002 - The company expanded its business into Yasothorn and built its 4th factory there, which is the largest factory among its three other factories located in Tha Phra, Chainat and the Phutthamonthon 5, so as to meet the needs of increasing OEM customers.

2006 – Due to the trend of the baht appreciating at 36 baht / USD, forecast of the appreciation of 30-31 baht / USD, the cut off from the GSP privileges from Europe, and wages which are rising and causing the competition in the export of the company's products to decrease, the company changed from manufacturing for OEM to selling more brands. This means that the company will no longer benefit from OEMs, so the company has changed its strategy to focus on building more brands and reach the domestic market first.

2006 - The company started to look into the market from segmentation that no one was really interested and the company's positioning was in the production of Doomm Doomm (extra thick bra) for customers with small

breast or Size A, which turned out to be a really good brand prepositioning. For the past 10 years, most people can still remember the brand Sabina and that it is number one choice for small sized women.

2011 - The company had to deal with the minimum wage that had gone up to 300 baht / day and the major flooding crisis in the country. Two-three years ago in 2011, the company adopted LEAN system that had been used to help improve production efficiency, changed the production process from sitting while sewing to standing while sewing, which could help reduce employees from 2 persons to 1 person. One production line normally needed about 40 employees, but the company currently need only 20 people and the company has this policy that does not find replacement for employees who resign. The number of employees were decreased from 5,100 people down to around 3,900 people, resulting in employees doing less overtime. And as a result, the company was able to overcome the minimum wage crisis.

2016 - The company targeted new large-sized customers and developed products that covered customers of all sizes and was able to increase the customer base formerly focused on small-sized customers only.

2017 - The company built a mold making sponge factory to help reduce the cost of production, speed up product development and keep up with market demand.

2017 - The company received the Top Brand Award from the Faculty of Accounting, Chulalongkorn University, in the category of Fashion, for the 5th consecutive year and won the Hall of Frame, which is regarded as a Brand Award that holds value to the SABINA brand.

2019 - The company received the Outstanding Operating Award in the event the "SET Awards 2019" by the Stock Exchange of Thailand. The award was only given to the listed company that had outstanding performance based on business performance, good corporate governance, action complying with the regulations of the stock exchange Information disclosure and the quality of financial statements

During the past 3 years, the company and its subsidiaries have received various awards which can be summarized as follows:

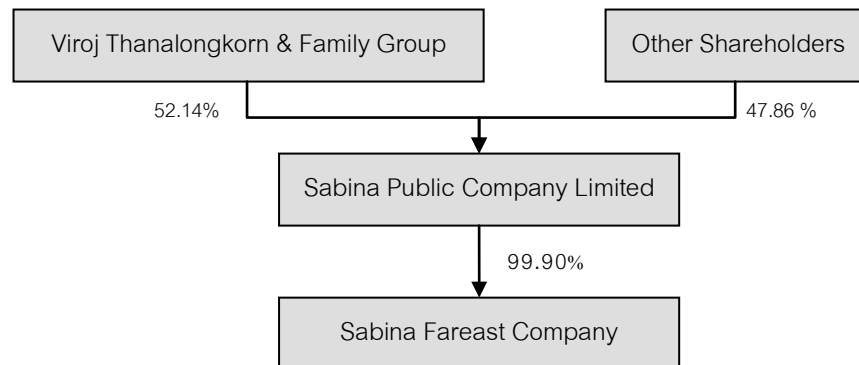
- Year 2017**
- Sabina Public Company Limited made self-declaration to the Thai Labor Standard System (TLS 8001-2010) from Labor Protection and Welfare, Ministry of Labor for the year 2017 on November 23, 2017
 - Sabina Public Company Limited, Chainart Factory received the award for certified

establishment, drug problems in workplace prevention and solution from the Department of Labor Protection and Welfare on December 27, 2017

- Year 2018**
- Sabina Public Company Limited Yasothon factory received the Zero Accident Award at the national gold level, year 3 on June 2018
 - Sabina Public Company Limited Chainart factory received the outstanding establishment award on safety, occupational safety, occupational health and working Environment on July 1, 2018
 - Sabina Public Company Limited Yasothon factory received the certificate for Industrial establishment that operates according to the rules of Environmental governance, August 3, 2018
 - Sabina Public Company Limited Yasothon factory received the outstanding establishment award Labor relations and outstanding labor welfare (10 years or more) year 13 on August 23, 2018
 - Sabina Fareast Company Limited, Phutthamonthon Sai 5 factory, was awarded with the disease-free workplace, safe for body and mind at national gold level from the Bureau of Occupational and Environmental Diseases year 2018 on December 18, 2018
- Year 2019**
- Sabina Public Company Limited, Yasothon Factory, received a gold medal certificate for Safety, Occupational Health and Work Environment Management from the Department of Labor Protection and Welfare on 22 April 2019.
 - Sabina Public Company Limited, Yasothon Factory, received a silver medal certificate for its campaign to reduce work related accidents to zero for 2019, for the 4th year, for 19,186,741 hours in total, from the Department of Labor Protection and Welfare on 4 July 2019.
 - Sabina Public Company Limited, Yasothon Factory received the Excellent Establishment for Health and Hygiene Promotion in the Workplace Annual Award 256-2019 from the Ministry of Public Health, Department of Health, Center 10, on 7th August 2019.
 - Sabina Public Company Limited, Yasothon Factory, received the Outstanding Establishment Award for Labor Relations and Labor Welfare (10 years and over) for the 14th year from the Department of Labor Protection and Welfare on 9th September 2019.

- Sabina Public Company Limited, Chai Nat Factory, received the Green Industry Level 2 Award from the Ministry of Industry on 18th August 2019.
- Sabina Public Company Limited, Chai Nat Factory, received an award in the Kaizen Suggestion System contest from Technology Promotion Association (Thailand-Japan) on 30th August 2019
- Sabina Public Company Limited, Chai Nat, Factory, received Bilateral Teaching and Learning Management Reward from Noen Kham Industrial and Community Education College on 19th September 2019.
- Sabina Public Company Limited, Chai Nat Factory, received an honorary award for Promotion and Support for Employment from the Department of Employment Ministry of Labor on 17th October 2019.
- Sabina Public Company Limited, Chai Nat Factory, received the 5th Annual Outstanding Workplace and Social Welfare Award from the Office of Social Development and Human Security in Chainat Province on 24th December 2019
- Sabina Public Company Limited, Buriram Factory, received a certificate of honor for Safety, Occupational Health and Work Environment Management from the Department of Labor Protection and Welfare on 22nd April 2019.
- Sabina Public Company Limited, Buriram Factory, received the Green Industry Level 1 Award from the Ministry of Industry on 28th October 2019.
- Sabina Far East Company Limited, Tha Phra Factory, received the Outstanding Enterprise Award in Labor Relations and Welfare, Outstanding Labor (10 years up), the 12th year from the Department of Labor Protection and Welfare on 31st January 2019.
- Sabina Far East Company Limited, Tha Phra Factory, received the Green Industry Level 2 Award from the Ministry of Industry on 19 August 2019.
- Sabina Far East Company Limited Phutthamonthon Sai 5 Factory, received the Outstanding Establishment Award in Labor Relations and Welfare, and Outstanding Labor (10 years up), the 10th year from the Department of Labor Protection and Welfare on 9th September 2019.

1.3 Shareholding Structure of the Company Group



Divisions operation of the company policy

The Company

Acting in the business of producing and selling underwear for subsidiaries and customers who are foreign lingerie suppliers (OEM or Original Equipment Manufacturer) Originally, the business of manufacturing and selling OEM products of the company is the production and distribution for subsidiaries which received production orders from another customer because the subsidiary has been operating for a long time and more well known to customer abroad. When the company started to get some recognition in the group of customers abroad then started selling more OEM products directly to customers without passing through subsidiaries.

The Subsidiary

Acting in the design, manufacture and distribution of women underwear under the brand "Sabina" Including produce by the order from customer who is using their own brand or OEM (Original Equipment Manufacturer) and act as company distribute women underwear under the brand "Sabina" to department store, shopping centers and modern trades fair both domestic and international. Including sales through new distribution channels such as TV Shopping, Website and Company's Application and other Websites.

2. The nature of business

Income structure

Revenue from products sales under the subsidiary's trademark is the main income of the company at present. Which accounted for 90.34% and 90.82% of total revenue in 2018 and 2019, respectively, while revenue from OEM products accounted for 9.24% and 8.71 % of total revenue in 2018 and 2019

| Product Lines | Operated by | Share-holding ratio % | 2017 | | 2018 | | 2019 | |
|---|--------------------------|-----------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | | | Value | % | Value | % | Value | % |
| Sale of subsidiary's brandname products | Sabina Fareast Co., Ltd. | 99.90% | 2,438.85 | 91.03 | 2,803.04 | 90.34 | 2,992.46 | 90.82 |
| Sale of OEM products | Sabina Plc. | - | 220.17 | 8.22 | 286.80 | 9.24 | 287.04 | 8.71 |
| Incomes from provision of service and other sources ^{1, 2} | Sabina Plc. | - | 20.10 | 0.75 | 13.06 | 0.42 | 15.46 | 0.47 |
| Total | | | 2,679.12 | 100.00 | 3,102.90 | 100.00 | 3,294.96 | 100.00 |

Note: 1. Our sources of incomes are garment production and product sewing services.
2. Other sources of incomes are interest earning, duty refund, profit from the exchange rates, and rent out real estate.

2.1 Product characteristics

Products under the Sabina trademark are of high quality and fine fashion designs that are colorful and modern. They provide functions that can meet the needs of customers of all ages, and help create a good personality and boost confidence. The products can be divided into 2 main groups which are as follows:

2.1.1 Products manufactured and sold under the subsidiary company's trademark

Products under the trademark of the subsidiary are divided into 4 categories which are as follows: in each group there will be products with fashion and function products. By still focusing on products that can be worn everyday which can be divided into 2 product groups which are as follows:

(1) Underwear products, consisting of bras, underwear, camisole, revealing underwear, slimming sets, accessories for use with underwear or replace underwear such as transparent arm straps, arm straps, fashion hooks to the body length, and silicone nipple protector

(2) Products in groups other than lingerie, consisting of swimwear, exercise sets, and underwear that can be used as outerwear such as the Mad Moisselle Collection.

The company focuses on designing bra products to enhance the personality and give confidence to the wearer and meet the specific needs of customers. Nowadays, bra styles are more diverse than ever.

2.1.2 Products manufactured under trademark of customers which are distributors of products overseas (OEM)

The company has manufactured and distributed OEM products based on the specifications that customers require. Products that are manufactured and sold partially come from the prototype that the company and the subsidiary design. It is used to improve the design according to customer requirements and take over approximately 30% of the total OEM volume.

Customers' designers and the company's designers work closely together. Customers' designers from time to time join the company's designers, introducing the trend, color, mood and tone for each season, before starting to develop as a sample product. There is also a joint development with lace fabric vendors and also various patterns and colors with Raw Materials Suppliers as well.

Product Grouping

The company divides the products into groups based on the target audience and place suitable pricing for each product group. There are 4 main group which are as the following.

1. Children's products
2. Teen products
3. Adult products
4. Other products

| | Medium (<THB700) | Medium-High(THB700- 1,000) | High(>THB1,000) |
|------------------------------|--|----------------------------|-----------------|
| Children (4-15 years) |  | | |
| Teens (15-25 years) |  | | |
| Young women (25-45 years) |  | | |
| Women (> 45 years) |  | | |

Products of each group have different strengths such as childhood products, (starting from the age of 6 years old to 12 years old), which are focused on the quality of raw materials that must not cause irritation to the soft skin of children and using the Sabinie cartoon to communicate with children. CoolTeen products are for the age group that starts going to school, coming after Sabinie Collection, focused on using raw materials that is close to baby underwear but will begin to change fabric to be comfortable, easy to maintain with modern beautiful patterns and also began to use the function of underwear to prepare the style for the children that grew up.

Teen products are suitable for young women who grow from childhood to teenagers, those starting from high school age to entering university and starting work, at the age of 15-25 years, when they are becoming girls and paying more attention to how they look. The product model is colorful, indicating happiness and joyful life. Products of this group can be divided into 2 major groups, namely push-up bras and a non-push-up bra.

- The push-up bra consists of the main product of the company, the Doomm Series, with a natural push-up sponge and the pushing the extra thick to meet the needs of teenagers who want boost their confidence by wearing modern lingerie and can wear it on any occasion they want.

- The non-push bra consists of the best-selling main product, Pretty Perfect, made with new technology that create extra comfort and make it perfect for just any occasion. It is of basic styles and many different fashion colors to choose. There are Maggie Mae products that are designed to especially meet the needs of girls who like non-push underwear that is colorful, fashionable, and modern, and for those who want the comfort sensations more than other features.

Young adult and adult products are suitable for working women at the age of 25 and over, who can earn their own income. They are more likely to buy products reasonably based on their functions, beauty and modernity. The products for young adult and adult can be divided into 2 categories which are as follows:

- The push-up bra consists of the Modern V model that emphasizes the presenting of beautiful breasts and showing off cleavage, suitable for young women who start to have their breasts grow and get physical attractiveness on their breasts.

- The non-push-up bra consists of Perfect Bra for women with full-grown breasts, available in multiple functions, both with frames and without frames, especially for women are really into fashion. Another group that mainly focuses on the function of wear is the Function Bra and Secret S Curve. Both groups focus on

the function of keeping fit. It consists of bras, underwear, and slimming sets. There are also Mad Moisselle Collection and the exclusive Celebrity's Collection.

Other product groups

1. Everyday Wear group or products that can be worn daily consist of the following products:

- Sbn Sport products are sports underwear especially for women who need agility, they are comfortable and semi-sporty, perfect for playing sports.

- Soft Collection products are products to which the innovation of Seamless Fit production is applied. They are smooth, comfortable, in beautiful shape, focused especially on seamless comfort.

2. Specific products such as maternity products for breastfeeding mothers consist of bra and panty, belly support and fill up bra which are bras mostly used by patients who have their breasts cut. We also provide bras with a bag for breast implants.

3. Happy Price products are cheap products produced specifically For Modern Trade stores.

2.2 Marketing and Competition

2.2.1 Marketing strategy



- **The development of innovative lingerie production**

Due to the needs and physiology of consumers constantly changing, the company Therefore giving importance to research and development (new products) Continuous By analyzing the behavior of consumers as to what needs And conducting customer surveys via online media to use the information obtained to develop products in accordance with the needs and changes of customer behavior In terms of function and fashion of underwear, for example, in the past, research showed that most Thai women had relatively small breasts.

Therefore, leading to the development of the "Doomm Series" collection to enhance the confidence of wearing lingerie for consumers. And after Sabina succeeded in the small breast bra market Have conducted additional research to find that There are still customers with large breasts. It is a small base for Thailand. In 2015, the company started to capture this group of customers. And develop products to support the good response Made last year the customer base is constantly growing. Therefore, concluded that the products of the company are able to meet customers' needs, whether they are breast or small. With the same answer is Good lingerie production Comfortable to wear as customers want.

While production for sale under the brand of customers from European countries Making the company know how to apply new sewing techniques and applying to become a member of the WGSN, which is the website that the world's leading garment manufacturing companies have used widely for a long time Enabling the company to be aware of the Global Trend Fashion in the future that will occur up to 24 months in advance and can produce products that bring up-to-date fashion that meets the customer's popularity more precisely, while maintaining high quality at a reasonable price, worthwhile for consumers.

- **Expanding customer base in foreign countries**

The company expands the business by exporting products under the trademark of the subsidiary or Sabina brand to expand to more countries. Especially in the ASEAN Economic Community (AEC: ASIAN ECONOMIC COMMUNITY) which currently appoints distributors and operates 5 countries including Vietnam, Laos, Cambodia, Myanmar and the Philippines. While being discontinued as a distributor in 2 countries, namely Malaysia and Singapore Because the dealer cannot expand the distribution channels according to the goals set by the company As for Brunei And Indonesia is still in the process of implementation. The company still aims to expand the brand Sabina to be known in the ASEAN market. And consumers from abroad Paving the way for making "Sabina" an ASEAN Brand, which causes the company Focus on expanding markets in ASEAN Because consumers in the ASEAN region have physiological differences that are not much different from Thai people Can use the same pattern in production and distribution In addition, the company Also appointed distributors in other countries including the Middle East and Asia such as the United Arab Emirates, Bangladesh, Pakistan etc.

- **Gradual release of new products**

The company has a strategy to distribute lingerie products in new models. Continuous To cover usage in all ages of women Starting at the age of 6 years of age, children should start using underwear to maintain proper and proper form. By dividing all product categories according to the format, i.e. basic products and fashion

products that are designed according to popular trends, always leading to fashion. Helping consumers to be aware of the modernity and fashion movement at all times. The company has released new Sabina brand products every month. In order to maintain brand loyalty, the marketing department will select the time to sell products to suit the consumer groups in each product, such as Sabinie and Cool Teen products, which are underwear for childhood. Will be marketed before the start of the new semester to allow parents to have time to procure products for their children during the peak demand period.

The company also plans to sell products with new innovations. Continuous In order to meet the needs of consumers that have changed according to the era, such as new products, the name of the Soft Collection, which focuses on the production of woven fabrics, seamless bags. Giving high flexibility and texture to give a soft, comfortable feel to the skin And bringing popular copyright products to present as products that customers are very interested in, such as Disney Frozen copyright products from the United States Used to design products in the childhood group And the company also supports the intellectual property of Thai people by bringing famous cartoon designs to join the Pretty Perfect product group for teenagers, including Mamuangjung characters Of Wisut Pornnimit, a cartoon character from Facebook Fanpage. What are the fans who have a cartoon bear "Meekho" that is famous for stickers on the Line application. In addition, new products are presented in the form of fashion collections for young and young teenagers. Adult age circulates continuously throughout the year.

- **Maintaining sales levels of current customers and find new customers**

The company is committed to maintaining the level of sales of current customers because they recognize the importance of maintaining good relationships with every customer, which will help work to be effective by focusing on producing quality products and providing product design services to meet customer needs and create customer satisfaction by increasing the efficiency of producing quality products, including on-time service In order to maintain the production order continuously, also trying to find new customers In addition to customers in Europe By expanding to Russia Who want products with modern design, good quality and high price to avoid competing with manufacturers in other countries Which focuses mainly on price competition In order to maintain the level of profit margins at an appropriate level.

At the same time, the company has adapted channels to access products in accordance with consumer behavior. Which is now turning to online trading more and shopping in shopping centers is not popular in the department store zone Sabina's shop style in the shopping center Therefore focusing on selling in a stand-alone shop in the shopping center rather than being part of the department store zone.

2.2.2 Distribution and Selling channels

- Distribution of products under the subsidiary's trademark

The company sells lingerie under the trademark of domestic subsidiaries through various channels. In order to thoroughly reach customers through counters in department stores in Bangkok and other provinces including the counter within the discount store nationwide, in total 584 counters

| Selling channels | Distribution ratio (Quantitative) (%) | Name Distributor | Counter/Store |
|------------------|---------------------------------------|---|---------------|
| Department Store | 28 | Central | 24 |
| | | Robinson | 50 |
| | | The Mall | 9 |
| Discount Store | 30 | Big C | 128 |
| | | Lotus | 177 |
| Shop Company | 19 | Shop Company | 95 |
| Other Channel | 23 | Cooperative,Retail Store , Shop Company | 101 |
| Total | 100 | | 584 |

The company will sell at various distribution points. In the form of consignment and regularly transferring products to generate continuous sales in each distribution point, there will be 2-3 sales personnel, who are trained to have the ability to communicate products to the target customers. To advise consumers on how to use the correct product and various highlights of the product while at the same time able to collect information, needs or suggestions of customers Back to the research and development department to improve the product to meet the needs of customers more. At present, there are a total of 1,168 sales personnel. Due to the growing trend of online shopping, the company does not focus on opening new stores but turned to increase more online sales channels can help reduce costs too.

For overseas sales, the company sells products under the trademark "Sabina" "Sabinie" through distributors in ASEAN countries, 5 countries, namely Myanmar, Vietnam, Cambodia, Laos and the Philippines with more than 100 sales points at various department stores.

- **OEM product sales**

The company has manufactured products according to the pattern designed by the company and subsidiary according to the customer's own pattern, most OEM customers are large customers famous In Europe and England, most customers have a long relationship. There are times of selling by customer orders consisting of customers who are both Swn Stores, Department Stores, Modern Trade, Wholesaler, Trading firm, Importer, as well as customers who do On line business, which has both new initiators and those who have turned themselves from the Direct Catalogs business.

- **Sales promotion policy**

The market of women's lingerie products is very competitive. There are competitors that offer products that are very cheap, low quality, up to very high prices and high quality. Therefore, the company, together with department stores, provides regular sales promotion. Whether it is introducing new products Product promotion Organizing activities that customers could participate in order to increase the sales volume and attract consumers who have never used the company's products to try out Through marketing activities with the mall Both the media advertising of the mall Fashion show and other marketing activities.

In addition, the company also emphasizes the management of sales promotion of the company itself so that the products are widely popular among consumers. Create an attractive, attractive and reliable image. Create Sabina as the top of mind in the minds of Thai consumers by presenting the brand image of high quality products at a cost-effective price from 2015 until the present, the company has focused on using modern advertising media to reach consumers omni-channels by using a variety of media to suit each customer group with maximum efficiency Both using television advertising, billboard media, billboard, radio media, media in shopping centers Media on the BTS stations and leading office elevators Various publications and online advertising media in popular social media formats and advertising on Youtube makes the brand more recognizable and popular. In addition, Sabina Club is open to recruit consumers with special privileges for members. To strengthen brand loyalty.

2.2.3 Industry conditions and competitive conditions

- **Demand and supply condition of underwear in Thailand**

Demand condition the ratio of the population in Thailand in 2019 has a female population close to that of a male, which is estimated to be 33.95 million women from 66.55 million people, accounting for 51.01 percent of the total population of Thailand.

The important factors that affect the decision to buy lingerie will vary in each age range, ie, underwear for most children and parents will be more influential in making purchasing decisions.

During teen period, purchasing decisions are based on fashion design and usage.

Young and adult will decide to buy from function, usage and design style which being beautiful must also be suitable for the outfits that are worn outside because the underwear is a necessary product and has a limited lifetime in the past year, the trend of lingerie is a basic product that is comfortable to wear and has higher demand. Which is considered as a supporting factor for the quantity of lingerie consumption continuously.

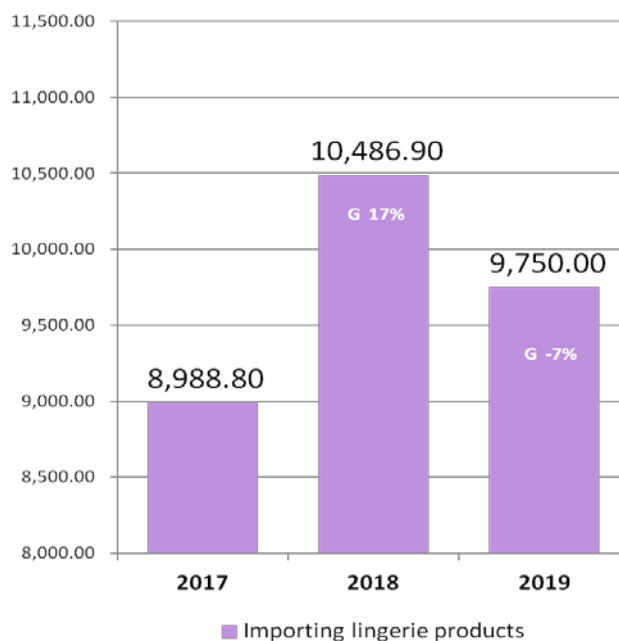
In 2019, the demand for overall lingerie in the country is growing in line with the flow of social media purchases.

Supply Condition Domestic women's lingerie has many manufacturers, both large, medium and small, from the sale through the system. E-Commerce and the expansion of many branches of mass brands from leading international brands that sell lingerie to bring fashion at a cheap price. From production and import from China and underdeveloped countries with low production costs. The expansion of cheap products that are sold through hypermarket & discounted stores, both imported from countries with low production costs. And increasing the proportion of house brands of the mall itself.

- Importing lingerie products

The value imports of Thai women's lingerie from 2017 to 2019 is as follows.









(Unit : Million Baht)



Ref. : Ministry of commerce

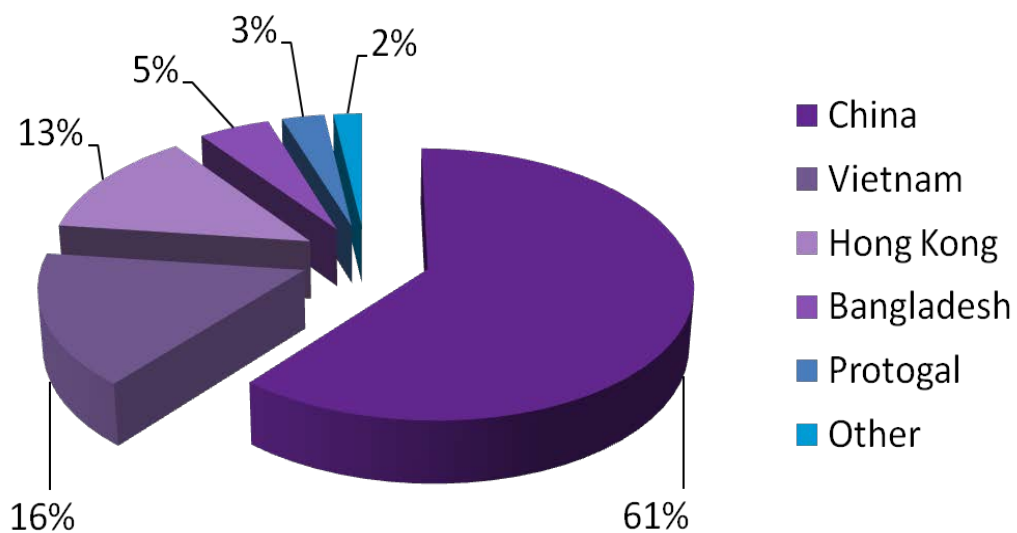
According to the tables and graphs, it can be seen that the amount of imports of lingerie products decreased by 7 percent in 2019, representing a value of 9,750 million baht. It is estimated that the amount of underwear consumption has decreased. Both from domestic consumption itself and from fewer tourists visiting and spending money in Thailand.

Value of imported underwear products from the main trading partners 2017 - 2019 (million baht)

| Country | 2017 | 2018 | 2019 |
|---|-------|-------|-------|
|  | 4,824 | 5,619 | 4,404 |
|  | 806 | 776 | 918 |
|  | 575 | 753 | 1,132 |
|  | 285 | 288 | 332 |
|  | 191 | 276 | 68 |
|  | 168 | 266 | 172 |
|  | 141 | 159 | 192 |
|  | 33 | 44 | 55 |

Ref. : Ministry of commerce

Ratio of imported underwear in 2019



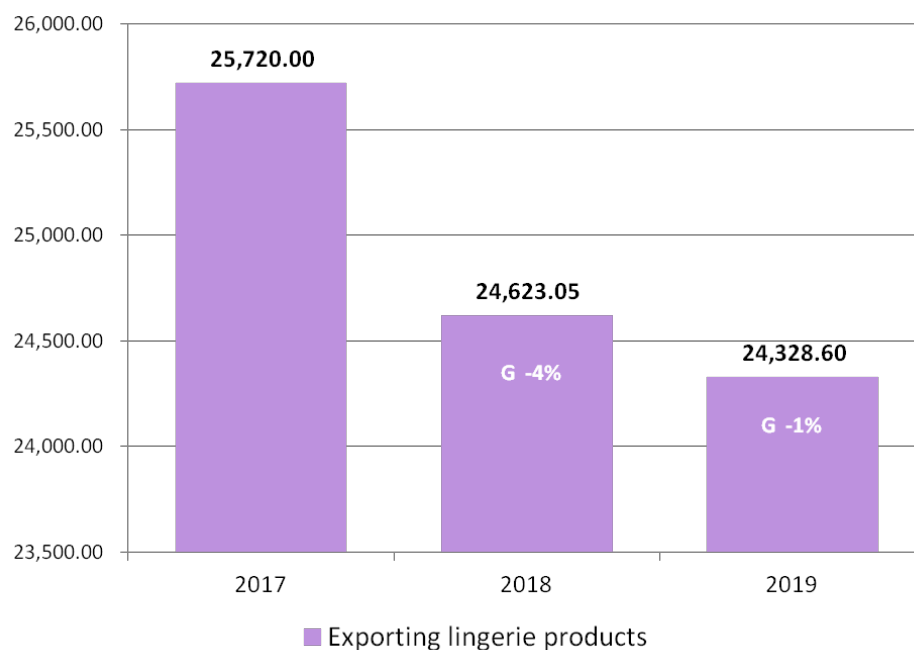
Ref. : Ministry of commerce

Although the overall import rate will drop, when considering the value and the proportion of imports, it can be seen that Thailand has always imported the highest value and proportion from China, taking over 61 percent of all the countries that Thailand imports. It is expected that imports from China are still at a high rate because production costs in China are still at a low rate compared to other countries. Moreover, the quality of products imported from China has been improving with more modern design. However, imports from ASEAN countries tend to be higher due to the integration of the ASEAN Economic Community (AEC), import tariffs are at 0 percent. Underwear imports are expected to increase in Thailand in the future.

- Exporting lingerie products

The value of lingerie exports from Thailand from 2017 until 2019 are as follows.







(Unit : Million Baht)



Ref. : Ministry of commerce

According to the table and graph showing export of lingerie products to foreign countries, it can be seen that exports decreased by 1 percent in 2019, partially due to the policy on importing tariffs of the United States which had effected the economy of many countries around the world. However, exports to the United States which has the highest value of exports from Thailand can still grow due to the strong domestic growth of the United States.

Export value of underwear products to major trading partners 2017 - 2019 (million baht)

| Country | 2017 | 2018 | 2019 |
|---|-------|-------|-------|
|  | 8,307 | 8,749 | 9,327 |
|  | 5,329 | 4,637 | 4,151 |
|  | 2,265 | 2,488 | 2,307 |
|  | 1,079 | 926 | 764 |
|  | 768 | 497 | 608 |
|  | 691 | 571 | 737 |

Ref. : Ministry of commerce

- **Domestic competition**

Domestic lingerie market is a highly competitive market at all price levels. With many entrepreneurs in the lingerie industry, such as Thai Wacoal Public Company Limited, lingerie manufacturer, "Wacoal" brand, Triumph International (Thailand) Co., Ltd., manufacturer of "Triumph" brand underwear. The company manufactures lingerie under the brand "Sabina". In addition, there are many small manufacturers that do not have a trademark to support the consumer market with regard to price as an important issue in the purchase. Repeat If the proportion of the market is estimated, Thai Wacoal Public Company Limited will have the largest market share. Followed by a company Under the brand "Sabina" and Triumph International (Thailand) Company Limited under the brand "Triumph"

In 2019, due to the recession in Thailand, the overall market of lingerie from the perspective of offline trade in general stores grew less because the purchasing power of consumers did not increase and slow down spending, but online trading is growing and bustling. Lingerie market is still expected to grow fairly when combining Offline and Online markets together.

In addition to the competition between domestic manufacturers in the country, there is also a high competition between leading lingerie manufacturers from foreign countries such as France and the United States to compete for market share in the upper-end consumer groups. For the consumer market, price is the main issue.

There is competition from non-brand underwear at a more economical price, especially from online channels, but the quality is still inferior to brand products.

- **Competition potential**

In a freely competitive market environment both domestic and oversea. Underwear manufacturers and distributors need to always maintain their competitiveness. However, the company's competitive potential when compared to competitors both inside and outside the country can be describes as follows.

(1) Product quality

The company produces equal quality lingerie with the competitors from major countries. The company has produced lingerie by the orders from top distributors in foreign countries, this made us expert in high sewing skill production. The company considering on the quality of product and has been granted with quality certificate from many institutions such as certification on using cancer-free material substances, no child labor and received ISO 9001: 2000 etc. The company has a product quality inspection system from the beginning to ready-to-sell. There are tools to check the quality of materials with standards that are accepted by customers from abroad. The production has cutting quality control system and every step of inside sewing all the way to packing. In addition, there is also a product design service for customers to provide comprehensive services as well, which is an advantage compared to OEM manufacturers from neighboring countries such as most operators in China that have lower production costs but produce inferior quality products. Even if there's a product designed for customers but still not much acceptable by customers. Therefore, the top customers who are lingerie suppliers in foreign countries trust and continuously order the products with the company for a long time.

(2) Product design and merchandise innovation

The company has a lingerie designing team that specializes in designing patterns to fit with all generations and ages. Designers have been sent abroad on to study trip to learn about the design trend and use them to adapt design for domestic products. Especially teen products with cute patterns which is different from other brands often do not focus on design patterns to please young customers. Therefore, the company's products became acceptable and can dominate the market share of young buyers. In addition, there is a product research and development unit which they analyze the needs of consumers in each age group. So new products can be released to respond with the needs of customers continuously.

(3) Skilled worker with high sewing skill

The company has high skill workers who can make complex lingerie. There's a learning center in the factory which provide education to employees both in general education and vocational education. It is an extension for the company to able to select sewing workers with talent.

(4) Factory management system and staff preparation

After successfully applying Lean Manufacturing Systems to improve the management system in the factory until receiving the award from the Thai-Nichi Institute of Technology. The company also bring in the KAIZEN system of Japan to manage as well and still find management tools to help manage the factory such as QCC system or Quality Circle Control, TPM system or Total Productive Maintenance (productive maintenance that everyone participates) etc. These help strengthen the management in the factory in order to increase production efficiency and reduce loss.

(5) Learning Organization

The company has a policy to increase business competitiveness by being "Learning Organization" because various improvements require knowledge and learning of people in the organization with searching for new ideas and using direct experiences. Resulting in the production of new products or services and be able to meet the needs of customers. If an organization has a lot of knowledgeable personnel, it will have an advantage over other organizations. If the members of the organization are constantly learning, there is an exchange of knowledge that may come from trial and error and transfer knowledge to other members in the organization, in order to achieve continuous learning as well as members can use experience and specialization to create value for products and services creatively. Which lead to the creation of processes and management in the organization for maximum benefits to the business.

2.3 Product sourcing

- **Production capacity and policy**

At present, the company has 3 factories located in Chainart, Yasothon and Buriram. There are total of 2,829 machines, divided into 2,763 sewing machines and 63 other machines. In addition to these main machines, there are also sewing machine accessories that can help adjust the machines to work efficiently and more suitable for the product style. There will be many different types according to the product style. At present, the company has actual production volume of 8.4 million pieces per year.

The subsidiary has 2 factories located in Bangkok and Nakhon Pathom. There are total of 1,430 machines, divided into 1,279 sewing machines and 151 other machines. Moreover, there are machine maintenance for efficiency production and safety for employees as well. Currently, the subsidiary has actual production of 3.4 million pieces per year.

The production capacity of each factory is as follows:

| Unit: Million pcs./year * | 2017 | 2018 | 2019 |
|-----------------------------------|--------|--------|--------|
| Phuttamonthon Sai5 Factory | | | |
| Maximum Capacity ** | 1.06 | 1.42 | 1.67 |
| Actual Production Volume | 1.03 | 1.40 | 1.54 |
| Effective Capacity(%) | 97.17 | 98.59 | 92.49 |
| Thapra Factory | | | |
| Maximum Capacity ** | 1.84 | 2.04 | 1.76 |
| Actual Production Volume | 1.79 | 1.95 | 1.77 |
| Effective Capacity(%) | 97.28 | 95.59 | 100.38 |
| Chainat Factory | | | |
| Maximum Capacity ** | 2.36 | 2.71 | 2.61 |
| Actual Production Volume | 2.15 | 2.74 | 2.45 |
| Effective Capacity(%) | 91.10 | 101.11 | 93.96 |
| Yasothon Factory | | | |
| Maximum Capacity ** | 4.44 | 5.26 | 4.60 |
| Actual Production Volume | 4.09 | 4.73 | 4.27 |
| Effective Capacity(%) | 92.12 | 89.92 | 93.00 |
| Buriram Factory | | | |
| Maximum Capacity ** | 0.61 | 1.40 | 1.84 |
| Actual Production Volume | 0.70 | 1.35 | 1.71 |
| Effective Capacity(%) | 114.75 | 96.43 | 92.84 |
| Total | | | |
| Maximum Capacity ** | 10.31 | 12.83 | 12.47 |
| Actual Production Volume | 9.76 | 12.17 | 11.74 |
| Effective Capacity(%) | 94.67 | 94.86 | 94.15 |

** The maximum capacity is equal to the number of products that are the ultimate goal. Not the highest capacity that can be achieved

- Improving production efficiency

| | | | | |
|-----------|--|-----------|---|-------------------------------|
| | | 2562-2565 | Total Quality Management | Sustainable Business |
| | | 2559-2561 | Lean Enhancement, Problem Solving, Employee Engagement | High Performance Organization |
| | | 2556-2558 | 5S In process & 5S Empowerment | 5S Enhancement |
| | | 2554-2556 | Integration (5S, Kaizen, Lean, AM-PM, QCC, HRD+4D, อนุรักษ์พลังงาน) | SPM |
| | | 2551-2553 | Lean System, Standing Sewing | Lean Manufacturing |
| | | 2550-2551 | 5S, Kaizen, Group Incentive | Participation |
| 2549-2550 | | | Standard time, Benchmark, Flow Process, SOP, Balance line | Basic Tools |

The company has set a road map for organizational development as a long-term plan from 2006 to 2025, aimed at sustainability and will continue to improve according to the 7 Steps which are as follows.

Step 1 Basic Tools

Is an improvement by using basic production tools, the Standard Time to determine cost, production planning, production management, and measure the ability of production.

Step 2 Participation

Is to enhance the participation of employees within the organization, promote improvement by using 5S, Kaizen, and adjust incentive payments to Group Incentive to achieve the same goal.

Step 3 Lean Manufacturing

Is an improvement to eliminate various wasteland and non-value work in the process, resulting in the proportion of Indirect employees reduced from 32% to 24% in 2019 and changing the production system from sewing to a standing sewing system in order to create a continuous flow (Continuous Flow), the number of employees / production lines reduced from 30 people to 16-18 people, which is suitable for many types of work conditions and the number / less, including the change of production from a push system (Push System) to a Pull System (Pull System) in accordance with Lean principles, which continually improve productivity.

Step 4 Sabina Productive Management (SPM)

It is the integration of improvement tools that are suitable for the organization, integrated into the company management system, divided into 6 pillars (5S + Kaizen, Lean, AM-PM, QCC, HRD + 4D and energy conservation) and work in the form of Cross Function Team, with working groups from all departments of the company.

Step 5 5S Enhancement

It is to upgrade the 5S operation from 5S to 5S in the process in order to get rid of unnecessary steps or systems, create work methods that are convenient, easy, fast, clean to check for irregularities, standardize the process, and also promote participation through the SGA supervisor, giving sub-group supervisors the power to make decisions and manage at a certain level (5S Empowerment).

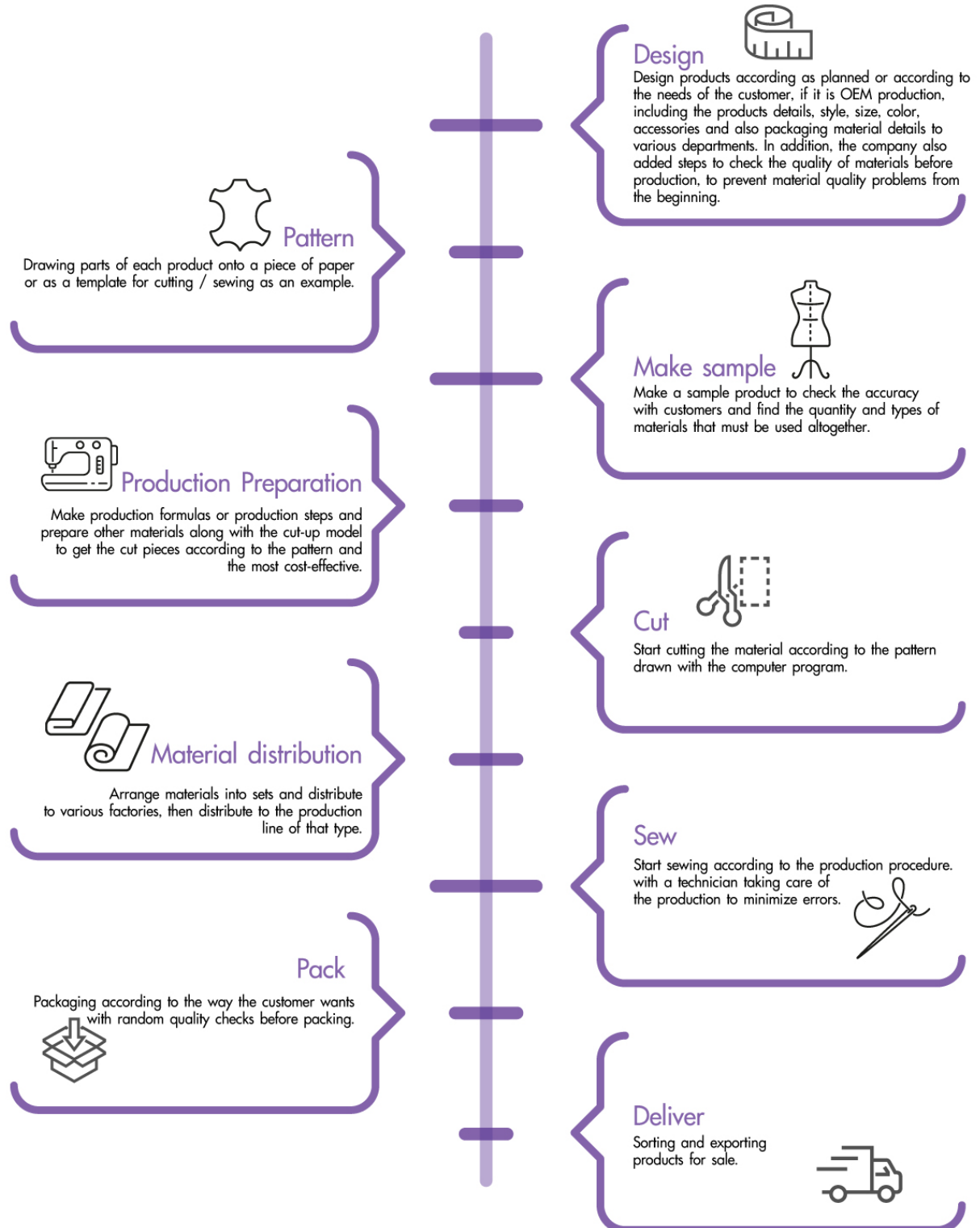
Step 6 High Performance Organization

In order to be a highly efficient organization, the company expanded the improvements from Lean Manufacturing to Lean Enterprise, linking suppliers and customers into one chain, strengthened the business, and used QCC tools to manage chronic problems (Problem Solving) as well as develop employee engagement with the organization (Employee Engagement) who are a driving force for continual improvement.

Step 7 Sustainable Business

Bring management improvements to from production processes to all departments of the organization for quality management throughout the organization in accordance with Total Quality Management (TQM) principles. Create an organization culture in which members focus and participate in the improvement of operations, making it able to cope with change, building competitiveness, increasing customer satisfaction that impact business opportunities, and taking responsibility towards interested parties and communities, which can create the sustainability for the business in the future.

Manufacturing Processes



Regarding product quality control, apart from the quality inspection process during the production process, the company also has product quality control measures by encouraging employees to maintain quality standards and teach other skills that help reduce production error rates. Random inspections of the past non-standardized products found 0.5% of defective products out of all the products produced before packing and sold to customers.

- **The main material used in production**

Fabric is the main component of all types of products. There is a high amount of fabrics in the production, causing the company and subsidiary to purchase in large quantities and have to control the quality and quantity. The company order from the few material suppliers regularly. However, there are many operators that produce this type of materials, then there is no problem in the procurement if there is a problem with the agreement with the supplier of the material that is currently trading.

Rubber is a component of all types of products. There are many types and with limited lifetime, causing the need to always buy this type of material but quality checking is easy. Therefore, easy to manage and procure. The other main material is sponge. There are 2 main types, which are unprocessed sponges, can be ordered from domestic manufacturers and finished sponge is a unique special material, different in each brand, with few domestic manufacturers, mostly import from abroad such as China, where the sponge is limited lifetime and cannot keep for a long time. The company then use the JIT (Just In Time) purchase policy to solve the material quality problem and reduce the cost of storing materials as well. In addition, the company currently installed the bubble mold machine itself, to reduce production costs and reduce dependence on suppliers because the mold bubble is considered an important material and it is the secret of each brand. Currently, there are 56 mold pumps machines. And there are 8 spare mold pumps machines.

Material procurement

Materials used in the production can be divided into 3 main types as follows: Main raw materials, decorative products and packaging materials. The main raw materials consist of rubber and sponge, accounted for 81.34% of total raw material purchase in 2018 and 82.02% in 2019, with few major distributors. For quick contact and control the quality of raw materials for the decoration of products, there are a variety of products depending on the type of product and the needs of the OEM customers, such as hooks, hooks, rings, sleeves and thread, etc. The packaging materials include hangers, boxes, plastic bags and others.










Materials value of purchase classified by type of company and subsidiary

| Unit: Million Baht | 2017 | | 2018 | | 2019 | |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Value | % | Value | % | Value | % |
| Main raw material | 456.02 | 82.42 | 604.76 | 81.34 | 623.05 | 82.02 |
| Decorative products | 60.66 | 10.96 | 88.51 | 11.90 | 83.69 | 11.02 |
| Packaging materials | 36.57 | 6.62 | 50.24 | 6.76 | 52.93 | 6.97 |
| Total | 553.25 | 100.00 | 743.51 | 100.00 | 759.67 | 100.01 |

*The Company and its subsidiaries do not have a policy to purchase raw materials in advance. Because they want to reduce the cost of storing raw materials and most raw materials will have a short life. If stored for a long time, the quality will be reduced. Therefore, to prevent the shortage of raw materials and help prevent price fluctuations, the company will enter into a long-term purchase contract instead. That is to have a futures contract to reserve the capacity of the raw material supplier and to deliver the raw materials according to the agreed schedule for the main raw materials, such as fabric and rubber, are essential to the production of all kinds of products. Will use only a few regular suppliers and have been trading for a long time. Decorative parts and the packaging materials are very detailed, causing no regular suppliers.

*The Company and its subsidiary purchase various types of materials from over 200 materials suppliers, which are 2-3 major materials suppliers. The proportion of trading with the first 10 major materials suppliers representing 62.27 percent and 59.25 percent of the estimated total purchases in the year 2018 and 2019, respectively. There is no materials supplier that accounts for more than 15% of the total material purchase from regular suppliers, when in need of new materials that have never been used in production. There will be an arrangement for pitching sales, which the purchasing department will consider with the urgency of the assembly production as well.

In addition, the company and its subsidiary purchase materials from foreign countries in the proportion of 20.24% compared to the value of all major materials purchased in 2018 and 20.64% in 2019. They are orders from Hong Kong, Korea, China and Taiwan etc.

| Value Purchase of Raw Materials Unit : Million Baht | | 2017 | | 2018 | | 2019 | |
|--|--|--------|--------|--------|--------|--------|--------|
| | | Value | % | Value | % | Value | % |
| Domestic |  | 380.21 | 83.4% | 482.34 | 79.8% | 494.43 | 79.4% |
| Foreign | | | | | | | |
| Hongkong |  | 15.57 | 3.4% | 21.98 | 3.6% | 22.94 | 3.7% |
| Korea |  | 12.99 | 2.8% | 14.05 | 2.3% | 13.12 | 2.1% |
| China |  | 19.19 | 4.2% | 44.34 | 7.3% | 49.49 | 7.9% |
| Taiwan |  | 17.97 | 3.9% | 24.74 | 4.1% | 23.65 | 3.8% |
| Italy |  | 1.87 | 0.4% | 4.46 | 0.7% | 5.11 | 0.8% |
| Switzerland |  | 0.68 | 0.1% | 0.02 | 0.1% | 0.01 | 0.0% |
| France |  | 0.32 | 0.1% | 0.39 | 0.1% | | |
| Indonesia |  | 4.42 | 1.0% | 5.02 | 0.8% | 3.73 | 0.6% |
| Other | | 2.79 | 0.6% | 7.42 | 1.2% | 10.56 | 1.6% |
| Total Foreign | | 75.80 | 16.6% | 122.42 | 20.2% | 128.61 | 20.6% |
| Total Value Purchase of Raw Materials | | 465.01 | 100.0% | 604.76 | 100.0% | 623.05 | 100.0% |

- Production quality control

The company has strict production control measures. In every factory, there will be a quality control system before production as preparation before production - Pre-Production Meeting, quality control during production. In order to prevent production errors (QC In Line) and quality control after production For final inspection after the production is finished before delivering to customers To ensure that products manufactured through international standards And according to the production order (100% End Control and random inspection). There is also a quality inspection department from the head office. Check the factory quality system or randomly check the product after production. (As a representative of the customer)

3. Risk factors

- **Business risk**

Many factors have been reduced and changed due to changes in business operations and changes in current conditions such as

- **Risk from relying on a large distributor**

Nowadays, the number of the distribution channels has increased. Baed on the changing trend of consumers, the company has expanded more distribution channels in many ways such as sales via Social Media, TV sales, Direct Sales sales by not relying only on the original sales channels like department stores, sub-stores or discount stores

From 2019-2020, the company is planning to increase the proportion of sales from its own channels by selling more products in mobile Mobile Pop Up Store

- **The risk of opening the company's own shop**

At present, the company has reduced the number of stores by not extending rental contracts for unprofitable stores, being more careful in opening new stores, maintaining sales from growth at the original point of sale, and expanding to the online market that has lower costs. In 2019, the company closed down 5 traditional trade stores, while the newly opened stores focus on utilizing limited spaces. In the year 2020, the company plans to close about 20 retail stores while retaining sales staff. In order to enhance /support/improve sales in Mobile Pop Up Store

- **Risk from obsolete products**

At present, the company has the approaches of reducing unnecessary products that do not meet consumers' preferences. The errors that have previously occurred are therefore reduced. In anticipating the quantity of products per style, especially fashion styles that always change according to the market trend, the company has reduced the quantity per style and sold only at the top-level shops. This includes the creation of Exclusive products for each distribution channel. If Exclusive products are unsuccessful, they can be resold in other channels. In 2019, Basic product volume will increase to 70% while Fashion products will decrease to 30. % This leads to fewer obsolete products

The company also reduced the burden of storage and distribution of goods. To reduce costs, the Sabina @ home system is that customers can purchase order products through every point of sale (offline) and choose to be delivered home and/or office.

- Exchange rates

Currently, the company has a much lower proportion of export business than in the past. Moreover, the trend of the baht this year will appreciate in a stronger direction. The company implements a forward exchange currency risk insurance policy in every items exported. While importing raw materials from abroad and ordering the finished products to sell (Sourcing) is positive to the profit from the exchange rate. The risk, however, remains with the business. This is because the expectation of the exchange rate can always be reversed. As a consequence, the company's business plan does not expect any profit from the exchange rate category.

In 2020, although the Thai baht tends to depreciate at the beginning of the year, it is still not significant enough to accelerate exports to compete with tax privileges (GSP) and lower wages countries. Currency is weaker. On the other hand, when the baht is depreciating from 33 baht down to 32 baht, 31 baht to 30 baht benefits us more. According to an increase in current imports of up to 35%.

- Risks from domestic consumption

According to the company's domestic sales of 80% in 2018, which reduced to 79 percent in 2019 and lower economic growth, forecast GDP of 2% in 2020, contract in domestic consumption, and decline in consumers' spending, the company attempts to carry out more appropriate channel marketing activities; both marketing and promotions. This is to precisely encourage consumers' spending. In addition, the company has searched for a replacement market by expanding its brand internationally, in particularly, ASEAN and/or AEC. To increase sales and expand markets, the company accelerates the growth rates in Tv as well as online.

- Risk of accepting orders from foreign customers using their own brand (OEM)

The company and its subsidiaries' main customers are international underwear suppliers which are mostly European. They hire the companies to design and produce underwear with original equipment manufacturer (OEM) under their trademarks/brands. As a result of the world economic contraction in 2020, the company has attempted to reduce production costs in order to be very competitive. However, there are significant increases in orders of competitive manufactures for the countries such as China, Indonesia, India, Sri Lanka and

others. OEM trading is not a big target for the company. Since 2007, we focused on brand building. "Sabina" is more. Therefore, the company uses the strength of quality products in offering High Fashion, Big Cup Bra, Big Cup Swim Wear to OEM customers in the upper market. It is more about focusing on profits than expanding orders.

- Risk from technology

The risk from technology occurs when a rapid development has caused the changes in the way media is consumed as well as increase in consumers' choices. The company must, therefore, continuously improve to meet consumers' needs. This begins with modern designs, quality production, and speed and accuracy services

• Production-related risks

- lack of skilled labor and wage increases every year

Although, Thailand has a fairly high wage level in comparison to producers in ASEAN, the skilled labor in the underwear industry is still scarce. This is because sewing skill needs to be properly trained and mastered to a certain extent. Unlike labor in other textile industries, workers turn to work in factories that do not require much talent. Especially in the industry that uses machinery and modern technology, which receives the same or more return. This causes the lacks in the skilled labor for the particular industry. However, the company's adjustment in the direction of lean manufacturing adjust the sewing seat to the stitching stand. It has a positive effect on productivity as well as increased staff income. At present, the turnover of the company is lower than 1.5%.

Nowadays, the company still reduces the risk in case the labor cost may be increased dramatically in some years from now. By not investing in expanding a new factory by ordering finished goods to be sold at a lower cost than from the neighboring announcements in 2018, the proportion of purchase orders for sales is 18% of all ready-to-sell products in 2019. This proportion has increased. To 37% and is expected to increase to 40 - 45% by 2020

- Consideration of environmental impacts

To respond to global warming and to be an integral part in protection of the environment, the company is aware of environmental problems. From the production process to distribution of the product, there are uses of the products that are not environmentally friendly, such as plastic bags, are used. There are policies in all areas for the project to reduce use. Environmentally damaging material. To be part of reducing environmental problems that occur today. Can see more details in Topic 10. Social Responsibility which describes ESG in various aspects as follows: 1. Environmental Responsibility (Environmental) 2. Social responsibility 3. Social responsibility 3. Governance

4. Asset used in business operations

4.1 The main fixed assets of the company and subsidiary

The Company and its subsidiary have main fixed assets used in business operations as follows

| Asset type | Proprietary characteristics | Net book value (THB Mil.) as of | | | Obligation |
|--|-----------------------------|---------------------------------|-------------|-------------|--|
| | | Dec 31,2017 | Dec 31,2018 | Dec 31,2019 | |
| Land | | | | | |
| <u>Company</u> | | | | | |
| - 2 plots of land title deeds, located at Wang Kai Thuean Subdistrict, Hankha District, Chainart. Total area of 7 rai, 2 ngan, 28 square wa is the factory location. | Possess | 1.00 | 1.00 | 1.00 | Land and buildings on the land are mortgaged as collateral for loans from Bank of Ayudhya, amount of 100 million baht. |
| - 1 plot of land title deeds, located at Wang Kai Thuean Subdistrict, Hankha District, Chainat, land size 8 rai, 1 ngan 56 square wa is a factory and office location. | Possess | 6.13 | 6.13 | 6.13 | |
| - 2 plots of land title deeds, located at Du Thung Subdistrict, Muang District, Yasothon. Total area of 53 rai 2 ngan, 98 square wa is a factory and office location. | Possess | 10.29 | 10.29 | 10.29 | Land and buildings on the land are mortgaged as collateral for loans from Kasikorn Bank, amount 129.78 million baht. |
| <u>Subsidiary</u> | | | | | |
| - 2 plots of land title deed number, located at 93/23, Soi Rom Sai, Petchkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok. Total area of 138 square wa is the factory location. | Possess | 1.72 | 1.72 | 1.72 | None |
| - 3 plots of land title deed number No. 7611,7612,7613 Located at 93/8 Soi Petchkasem 7 Phetkasem Road, Wat Tha Phra Subdistrict, | Possess | 9.95 | 9.95 | 9.95 | None |

| Asset type | Proprietary characteristics | Net book value (THB Mil.) as of | | | Obligation |
|--|-----------------------------|---------------------------------|-------------|-------------|--|
| | | Dec 31,2017 | Dec 31,2018 | Dec 31,2019 | |
| Bangkok Yai District, Bangkok. Total area of 2 ngan, 37 square wa is the factory location. - 2 plots of land title deed No. 12037,12778 located at 93/47 Soi Petchkasem 7, Phetkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok, total area of 1, 89 square wa is the factory location. | Possess | 7.94 | 7.94 | 7.94 | None |
| - T2 plots of land title deed number 12, Arun Amarin Road, Arun Amarin Subdistrict, Bangkok Noi District, Bangkok, total area of 2 ngan, 17 square wa is the office location. | Possess | 7.96 | 7.96 | 7.96 | Land and buildings on the land are mortgaged as collateral with Bank of Ayudhya, amount of 200 million baht. |
| - 1 plot of land title deed, no. 9378 Located at 30/11 Moo 12, Putthamonthon Sai 5 Road, Rai Khing Subdistrict, Sam Phran District, Nakhon Pathom, total area of 11 rai, 2 ngan, 35 square wa is the office and factory location. | Possess | 52.10 | 52.10 | 52.10 | Land and buildings on the land are mortgaged as collateral for loans from Kasikorn Bank, amount 191.86 million baht. |
| - 1 plot of land title deed, no. 20329, located at 30/5 Moo 12, Putthamonthon Sai 5 Road, Rai Khing Subdistrict, Sam Phran District, Nakhon Pathom, total area 4 rai, 1 ngan, 87 square wa is the office and factory location. | Possess | 21.40 | 21.92 | 21.92 | |

| Asset type | Proprietary characteristics | Net book value (THB Mil.) as of | | | Obligation |
|--|-----------------------------|---------------------------------|-------------|-------------|---|
| | | Dec 31,2017 | Dec 31,2018 | Dec 31,2019 | |
| Building | | | | | |
| <u>Company</u> | | | | | |
| - Factory location, Du Thung Subdistrict, Muang District, Yasothon. | Possess | 36.71 | 30.70 | 24.70 | Mortgage with land as collateral for the loan with Kasikorn Bank, amount 129.78 million baht. |
| - Factory location, Wang Kai Thuean Subdistrict, Hankha District, Chainart. | Possess | 1.92 | 2.00 | 2.14 | Mortgage with the land as collateral for the loan with Bank of Ayudhya, amount of 100 million baht. |
| - Factory location Nong Bot Subdistrict, Nang Rong District, Buriram | | 1.41 | 1.31 | 1.20 | None |
| <u>Subsidiary</u> | | | | | |
| - 2 storey warehouse building and sewing building and 4 storey office at Phutthamonthon Sai 5 Road, Rai Khing Subdistrict, Sam Phran District, Nakhon Pathom | Possess | 20.96 | 21.95 | 25.21 | Mortgage with land as collateral with Kasikorn Bank, amount of 191.86 million baht. |
| - Office Location, Arun Amarin Road Arun Amarin Subdistrict, Bangkok Noi District, Bangkok. | Possess | 11.51 | 10.80 | 9.64 | Mortgage with the land as collateral with Bank of Ayudhya, amount of 200 million baht. |
| - Building 93/23, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok. | Possess | 1.81 | 7.29 | 6.86 | None |
| - Building 93/8 Soi Phetkasem 7, Petchkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok | Possess | 0.98 | 0.87 | 0.76 | None |

| Asset type | Proprietary characteristics | Net book value (THB Mil.) as of | | | Obligation |
|--|-----------------------------|---------------------------------|-------------|-------------|------------|
| | | Dec 31,2017 | Dec 31,2018 | Dec 31,2019 | |
| - Building 93/47, Petchkasem Soi 7, Petchkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok | Possess | 1.98 | 1.77 | 1.55 | None |
| Machinery and equipment | | | | | |
| <u>Company</u> | | | | | |
| Office equipment | Possess | 0.27 | 0.82 | 0.85 | None |
| Decoration and installation | Possess | 0.39 | 1.04 | 1.02 | None |
| Cutting, sewing, textile Machines and other assets. | Possess | 12.75 | 27.97 | 24.14 | None |
| <u>Subsidiary</u> | | | | | |
| Office equipment | Possess | 7.64 | 6.40 | 5.98 | None |
| Decoration and installation | Possess | 35.30 | 29.67 | 27.12 | None |
| Mold stamping machines, cutting, sewing, fabric inspection machines and other assets. | Possess | 27.29 | 31.63 | 28.64 | None |
| Construction in progress, assets under installation | | | | | |
| <u>Company</u> | | | | | |
| Construction in progress | Possess | - | - | - | None |
| Assets under installation | Possess | - | - | - | None |
| <u>Subsidiary</u> | | | | | |
| Assets under installation ^{1 *} | Possess | 3.99 | 0.39 | 3.24 | None |
| Intangible assets | | | | | |
| <u>Company</u> | | | | | |
| Computer programs and software | Possess | - | - | - | None |
| Program during installation | Possess | - | 1.00 | 1.04 | None |

| Asset type | Proprietary characteristics | Net book value (THB Mil.) as of | | | Obligation |
|-----------------------------|-----------------------------|---------------------------------|-------------|-------------|------------|
| | | Dec 31,2017 | Dec 31,2018 | Dec 31,2019 | |
| <u>Subsidiary</u> | | | | | |
| Computer programs | Possess | 3.55 | 6.61 | 6.65 | None |
| Program during installation | Possess | - | 1.00 | 1.05 | None |
| Deferred leasehold rights | Possess | 17.61 | 13.14 | 8.67 | None |

The book value of the main fixed assets used in the business of the company and subsidiary, details are as follows

Unit : THB Mil.

| Asset type | Cost according to financial statements as of | | | Lifetime (year) | Net book value as of | | |
|--|--|-----------------|-----------------|-----------------|----------------------|---------------|---------------|
| | Dec 31, 17 | Dec 31, 18 | Dec 31, 19 | | Dec 31, 17 | Dec 31, 18 | Dec 31, 19 |
| Land | 118.49 | 119.01 | 119.01 | - | 118.49 | 119.01 | 119.01 |
| Buildings and improvements | 317.75 | 328.22 | 335.08 | 20 | 77.28 | 76.70 | 72.06 |
| Machines | 279.06 | 302.68 | 302.56 | 10 | 30.77 | 46.85 | 39.59 |
| Tools and equipment | 13.69 | 15.57 | 16.46 | 5 | 1.76 | 2.86 | 2.96 |
| Decoration and installation | 146.54 | 158.11 | 167.92 | 5 | 35.69 | 30.72 | 28.15 |
| office supplies | 55.09 | 56.49 | 58.92 | 5 | 7.91 | 7.22 | 6.83 |
| vehicle | 40.91 | 34.18 | 26.13 | 5 | 1.50 | 1.16 | 0.82 |
| Program installation fee and computer programs | 27.91 | 34.27 | 35.50 | 3 | 3.55 | 8.61 | 8.69 |
| Other assets | 0.95 | 0.96 | 0.96 | 5 | 0.06 | 0.05 | 0.03 |
| Computers and devices | 47.07 | 51.87 | 54.95 | 3 | 6.01 | 8.70 | 9.40 |
| Construction in progress | - | - | - | - | - | - | - |
| Assets under installation | 3.99 | 0.39 | 3.24 | - | 3.99 | 0.39 | 3.24 |
| Deferred leasehold rights | 73.97 | 73.97 | 73.97 | - | 17.61 | 13.14 | 8.67 |
| Total | 1,125.42 | 1,175.72 | 1,194.70 | | 304.62 | 315.41 | 299.45 |

Intangible assets

The Company and its subsidiary have intangible assets that are important in business operations but did not record the accounting value, i.e., various trademarks which owned by Sabina Far East Company Limited, registered trademarks both domestic and international, namely Sabina, Sabinie, SBN, Moldern Soft by Sabina, Moldern Curve by Sabina and Doomm Doomm, etc. Anyhow, the subsidiary will renew the all trademark both registered domestic and international upon renewal because these trademarks are still important for future trade. The company expects new design products under these trademarks. If the product has a significant different shape and strength, the subsidiary will request to register the new trademark as appropriate. In addition to various trademarks, the subsidiary has applied for a patent for product design and an additional invention patent as well.

At present, the subsidiary rented areas in various commercial buildings, such as Department store, Market Village Shopping Center, Hua Hin and Laemthong Shopping Shopping Plaza, Chonburi and Fashion Island Bangkok Shopping Center, in order to do distribute women's underwear products.

Moreover, the Company recognizes the importance of preventing risks that may occur to the Company's assets. Therefore, the insurance contract has been prepared from all kinds of risks that may occur. Which covers most of the company's fixed assets, with property insurance for every factory, including office property such as buildings and structures, inventory, furniture, machinery and equipment etc.

Investment policy in subsidiaries

The company has a policy to invest in related businesses that are similar or beneficial and support the business of the company to strengthen and develop the company's performance, such as increasing production efficiency or reduce production costs, etc. In terms of management policies in such associated companies or subsidiaries, the company will send representatives who are persons with no conflict of interest in business with the company and its subsidiaries, join as a director in that company in the proportion of not less than half of all directors of the subsidiaries in order to closely control the financial policy and operations of subsidiaries.

As of March 16, 2007, the Company invested in Sabina Far East Company Limited by purchasing ordinary shares of Sabina Fareast Company Limited in the proportion of 99.90% of the registered capital.

5. Legal dispute

- None –

6. General information and other important information**important information**

| | |
|----------------------|--|
| Name: | : Sabina Public Company Limited |
| Nature of Business | : Manufacture and sale of ladies lingerie |
| Head Office | : 177, Moo 8, Wang Kai Tuen Sub-District, Han Ka District, Chainat Province |
| Registration No. | :0107550000068 |
| Home Page | : www.sabina.co.th |
| Telephone | :056-437156-8, 02-4229400 |
| Fax | :056-437159, 02-4345911 |
| - First Branch | : 12 Arun Amarin Road, Arun Amarin Sub-District , Bangkok Noi District, Bangkok 10700 |
| Telephone | :02-4229400 |
| Fax | :02-4345911 |
| - Second Branch | : 30/5 Moo 12, Phutmonthon V, Rai King Sub-District, Samphran District, Nakhonpathom Province |
| Telephone | : 02-8118220-31 |
| Fax | :02-8118081 |
| - Third Branch | : 236 Moo 10, Du Thung Sub-District, Muang District, Yasothon Province |
| Telephone | :045-737351-3 |
| Fax | : 045-737356 |
| - Fourth Branch | : 81, 106 Moo 6, Nong Bot Sub District, Nangrong District, Buriram Province |
| Telephone | : 044-657107, 044-657210 |
| Fax | : 044-657207 |
| Investor Relations | : ir@sabina.co.th |
| Registered Capital | : 347,500,000 baht |
| Paid Up Capital | : 347,500,000 baht |
| Ordinary Shares | : 347,500,000 Shares |
| Par Value | : 1baht |
| Securities Registrar | : The Thailand Securities Depository Co., Ltd. (TSD) |
| Address | : 93 Ratchadaphisek Road, Dindaeng,Dindaeng Bangkok 10400 |
| Telephone | : 02-009-9999 |

| | |
|-----------|---|
| Auditor | : Mrs. Natsarak Sarojpanjin or Mr. Chaityuth Aunsuwittya CPA License No.4563 and 3885 |
| Address | : A.M.T. Associate Office 491/27Silom Plaza, Silom Road, Bang Rak, Bangkok 10500 |
| Telephone | : 02-2341676, 02-2341678, 02-2372132 |
| Fax | : 02-2372133 |

For more information Investors can find additional information about issued asset of the companies from List of Annual Report (56-1) from the website www.set.or.th or www.sabina.co.th